Summary of (Consolidated) Financial Statements for the First Half of Fiscal Year Ending December 31, 2021 (Japanese Standards)

August 13, 2021

Listed company:	Laox Co., LTD.	Stock exchange: Tokyo Stock Exchange	
Code:	8202	URL: https://www.laox.co.jp	
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Planned Submission Date for the Quarterly Report:	August 13, 2021
Planned Starting Date for Dividend Payments:	—
Supplementary Documents for Quarterly Results:	No
Quarterly Results Briefing:	No

(Rounded down to nearest million yen)

1. Consolidated Results for the First Half of FY2021 (January 1, 2021 to June 30, 2021)

(1) Consolidated operating results (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
H1 of FY2021	30,808	(18.8)	(2,303)	–	(1,875)	–	(2,616)	–
H1 of FY2020	37,944	(37.5)	(2,813)	–	(2,936)	–	(13,987)	–

(Note) Comprehensive income H1 of FY2021: (2,608) million yen (–%) H1 of FY2020: (13,999) million yen (–%)

	Profit per share	Diluted profit per share
	Yen	Yen
H1 of FY2021	(28.62)	–
H1 of FY2020	(153.01)	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
H1 of FY2021	47,562	24,589	51.6
FY2020	63,523	27,575	42.2

(For reference) Shareholders' equity H1 of FY2021: 24,543 million yen FY2020: 26,813 million yen

2. Dividends

	Dividends per share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2020	–	–	–	0.00	0.00
FY2021	–	–			
FY2021 (forecast)			–	0.00	0.00

(Note) Revision to the dividend forecast publicized most recently: No

3. Results forecast for FY2021 (from January 1, 2021 to December 31, 2021)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit	
	Million yen	%	Million yen	%	Million yen	%
Full year	74,000	(10.8)	(1,500)	–	(1,300)	–

(Note) Revision to the forecast publicized most recently: Yes

Notes

(1) Important changes in subsidiaries in the first half under review: No
(changes in specified subsidiaries resulting in changes in scope of consolidation)
New: – company Excluded: – company

(2) Application of accounting specific to the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policy and changes or restatement of accounting estimates

(i)	Changes in accounting policy due to revisions to accounting standards etc.:	No
(ii)	Changes in accounting policy other than those in (i):	No
(iii)	Changes in accounting estimates:	No
(iv)	Restatement of accounting estimates:	No

(4) Number of issued shares (common shares)

(i) Number of issued shares at the end of period (including treasury stock):	H1 of FY2021	93,335,103
	FY2020	93,335,103
(ii) Number of shares of treasury stock at the end of period:	H1 of FY2021	1,918,369
	FY2020	1,918,349
(iii) Average number of issued shares during period (from the beginning of fiscal year)	H1 of FY2021	91,416,745
	H1 of FY2020	91,416,805

This summary of quarterly consolidated financial statements falls outside the scope of the quarterly review by certified public accountants or audit corporations.

Explanation on the proper use of results forecasts and other special notes
Forward-looking statements, including revisions to results, in this document are based on information that the Group has obtained and certain assumptions that the Group believes to be reasonable. Actual results may differ significantly due to a variety of factors.

○ Contents of attached document

1. Qualitative Information on Consolidated Results

(1) Explanation of operating results

During the first half of the consolidated fiscal year under review, economic activities were significantly restricted in Japan as a result of measures taken to control the flow of people, namely, the expansion of areas subject to pre-emergency measures and the third declaration of a state of emergency, both of which took place in April in response to a resurgence of COVID-19 cases. Although such measures were temporarily lifted in June, the outlook for the containment of the pandemic remains uncertain.

In the retail industry, in which Laox Co., LTD. (the "Company") operates its core businesses, sales, which were on an upward trend on a year-on-year basis, continued to decline on a monthly basis, mainly in businesses that took steps such as suspending operations or reducing business hours, in April and May in response to the declaration of a state of emergency and pre-emergency measures. With people voluntarily refraining from going out even after these measures were lifted, sales at physical stores were sluggish while online sales remained strong. Meanwhile, conditions for inbound businesses are not expected to recover any time soon given continued restrictions on travel to Japan from abroad.

In this environment, the Laox Group worked continuously to improve profitability through full-scale cost reductions, while simultaneously reinforcing its business foundations through the pursuit of specialization. The Company implemented a drastic organizational change in April and enhanced the lineup of products such as Asian foods, Asian cosmetics and Asian sundries for domestic customers who are unable to go overseas amid the COVID-19 pandemic. In addition, to move ahead with further development in China, which continues to grow strongly despite the COVID-19 pandemic, it continued to advance initiatives, such as the establishment of a joint venture in Jinan of Shandong Province and preparations for the establishment of a joint venture in Hainan Island, with an eye toward the implementation of new growth strategies.

In addition, the Company sold its shares in OGITSU Co., Ltd., MODE ET JACOMO Co., Ltd., and Kowa Sogyo Co., Ltd., which operate a shoe business in the Life & Fashion Business, to ITL Holdings Co., Ltd., in an effort to improve the Group's business structure.

Based on the above, consolidated net sales for the first half of the fiscal year under review decreased 18.8% year on year, to 30,808 million yen, mainly due to a decrease in sales from the Domestic Retail Business and Life & Fashion Business, in which stores were forced to suspend operations or faced difficulties in attracting customers due to COVID-19, and a decrease in the number of real estate projects in the Asset Business, although the Overseas Business made a significant contribution to sales, partly reflecting a year-on-year increase in sales from the large-scale 618 sales event in China's global e-commerce. Nevertheless, the effect of structural reforms continuing from the previous year contributed to a significant improvement in the Group's profit structure and helped reduce losses. The operating loss was 2,303 million yen (a loss of 2,813 million yen in the same period of the previous year), the ordinary loss was 1,875 million yen (a loss of 2,936 million yen in the same period of the previous year), and the loss attributable to owners of parent was 2,616 million yen (a loss of 13,987 million yen in the same period of the previous year). Consequently, the bottom line improved significantly in the absence of temporary factors such as the posting of a loss on structural reforms in the previous year.

The operating results of each business segment are detailed below.

The business segments reported as reporting segments have been revised in the first quarter of the fiscal year under review, and a comparative analysis of the first half of the fiscal year under review is based on the segments after the revision.

(Domestic Retail Business)

Domestic Retail Business sought to improve the profitability of existing stores in a situation where the number of foreign customers visiting Japan continued to be effectively zero due to the COVID-19 pandemic. The segment worked to enhance the lineup of products, such as Asian foods, Asian cosmetics and Asian sundries by taking advantage of the Laox Group's product procurement capabilities to ensure that domestic customers enjoy shopping, while also preparing for the opening of the Kyoto Kawaramachi OPA. In addition, it sought to improve domestic e-commerce. Thanks to these initiatives, the ratio of customers living in Japan among users of the Group's e-commerce website has been steadily increasing.

As a result, although there has been a steady increase in new customers living in Japan, net sales for the first half of the fiscal year under review fell 49.4% year on year, to 1,997 million yen, primarily reflecting a decrease in the number of foreign customers visiting Japan to effectively zero due to the pandemic, a decrease in the number of domestic visitors to stores due to stay-at-home advisories, and changes to the number of operating stores. Still, the segment loss decreased significantly to 513 million yen (a loss of 1,208 million yen in the same period of the previous year), mainly reflecting the effect of the structural reforms implemented in the previous year, drastic reforms of unprofitable stores, and comprehensive measures taken to reduce costs, such as negotiations for rent reduction, as well as efforts that the segment has been making since the beginning of the year to improve the margin mix of in-store products.

(Overseas Business)

The Overseas Business segment prepared to meet demand for outbound tourism and develop new markets in the fast growing markets of China and Southeast Asia to accelerate new business development as part of the segment's structural reforms at a time when virtually no foreign customers were visiting Japan due to the pandemic. In the business targeting the Chinese market, an area of focus for the segment for some time, demand for personal care appliances, cosmetics, and game consoles is high and sales have been growing steadily. The Group has seen consistent growth in business with large household appliance manufacturers. Other factors that contributed significantly to sales included a year-on-year increase in sales from the large-scale 618 sales event in China's global e-commerce. Moreover, during the first half of the fiscal year under review, the segment advanced a new initiative of expansion into China's Hainan Island, a market with strong potential designated as a Pilot Free Trade Zone, and prepared to set up a joint venture with two local companies, namely, Hainan Tourism Duty-Free Goods Co. and Hylink Digital Solutions Co., Ltd. In terms of businesses for the northern part of China, the segment prepared for the development of new businesses such as the opening of Laox's first select shop in one of the largest general shopping centers in the northern area of Jinan, China.

As a result, segment net sales for the first half of the fiscal year under review increased 16.4% year on year, to 9,648 million yen. Meanwhile, segment profit decreased 62.3% year on year, to 48 million yen, due to active strategic investments made in promotion expenses and personnel expenses.

(Life & Fashion Business)

In the gift sales business, the Company continued to develop new product categories besides gifts by improving products to meet demand for confectioneries and specialty gourmet products, among other products, for private consumption. In the online business, sales from events featuring the Mother's Day and Midyear Gift season were strong and showed a significant year-on-year growth. Meanwhile, sales at nationwide stores decreased year on year due in part to the contraction of the reciprocal gift market and the reduced number of ceremonies such as weddings and funerals combined with voluntary restraint during the pandemic, although the expected outcomes were obtained from various business strategies being implemented. The structural reforms, including distribution reforms continuing from the previous fiscal year and the comprehensive cutting of costs such as selling, general and administrative expenses, have produced a significant change in the earnings structure. As a consequence, despite the segment loss, profitability improved year on year.

As a result, segment net sales for the first half of the fiscal year under review stood at 17,307 million yen, down 15.4% year on year. Although the segment posted a loss of 454 million yen (a loss of 924 million yen in the same period of the previous year), profit improved thanks to thorough cost cutting and structural reforms continuing from the previous fiscal year.

(Asset Business)

The Asset Business continued to streamline the commercial facilities under its management and sell idle properties of the Group. However, the number of visitors to these facilities decreased sharply at Chiba Port Town, Riverwalk Kitakyushu and Kakogawa Yamatoyashiki because commercial facilities and restaurants under its management were forced to suspend operations or reduce business hours to respond to government requests made against the backdrop of the declaration of another state of emergency. At the end of June, the Company indefinitely suspended the operation of Riverwalk Basement Kids' Kingdom Giant Stadium at Riverwalk Kitakyushu. In other developments, Laox Media Solutions planned and promoted events aggressively to provide information on Japan's world heritages and classical arts. However, the business experienced difficulties in organizing them due to the postponement and cancellation of events.

As a result, net sales for the first half of the fiscal year under review decreased 64.7% year on year, to 1,854 million yen, and the segment loss was 680 million yen (compared to a loss of 219 million yen in the same period of the previous year), due primarily to a decrease in the number of real estate projects, as well as a significant decrease in the number of visitors to facilities because of the COVID-19 pandemic.

(2) Explanation of financial conditions

1) Analysis of financial conditions

(Assets)

Total assets at the end of the first half of the fiscal year under review amounted to 47,562 million yen (63,523 million yen at the end of the previous fiscal year). The decrease in total assets was attributable primarily to decreases of 2,866 million yen in cash and deposits, 5,864 million yen in notes and accounts receivable - trade, 2,819 million yen in inventories, and 2,979 million yen in investments and other assets.

(Liabilities)

Total liabilities came to 22,973 million yen (35,947 million yen at the end of the previous fiscal year). The decrease in liabilities was a result mainly of decreases of 3,195 million yen in notes and accounts payable - trade, 712 million yen in electronically recorded obligations - operating, 3,992 million yen in short-term borrowings, 1,259 million yen in the current portion of long-term borrowings, and 1,346 million yen in other non-current liabilities.

(Net assets)

Total net assets came to 24,589 million yen (27,575 million yen at the end of the previous fiscal year). The decrease in net assets resulted principally from a decrease of 2,616 million yen in retained earnings.

2) Analysis of cash flow

Cash and cash equivalents at the end of the first half of the fiscal year under review have decreased by 2,675 million yen from the end of the previous fiscal year to 9,425 million yen.

(Cash flow from operating activities)

Cash flows from operating activities during the first half of the fiscal year under review resulted in a cash inflow of 354 million yen (cash outflow of 1,041 million yen in the same period of the previous year).

This was chiefly a result of decreases of 677 million yen in depreciation, a 722 million yen loss on valuation of inventories, 5,620 million yen in trade receivables and 664 million yen in inventories, despite the loss before income taxes of 2,844 million yen and a decrease of 4,054 million yen in trade payables.

(Cash flow from investing activities)

Cash flows from investing activities during the first half of the fiscal year under review resulted in a cash inflow of 1,072 million yen (cash outflow of 611 million yen in the same period of the previous year).

This reflected 2,950 million yen in proceeds from the sale of investment property and 1,000 million yen in proceeds from the collection of short-term loans receivable, which more than offset 1,904 million yen in payments for the sale of shares of subsidiaries resulting in a change in scope of consolidation, 894 million yen in the purchase of investment property and 192 million yen in payments for the transfer of businesses.

(Cash flow from financing activities)

Cash flows from financing activities during the first half of the fiscal year under review resulted in a cash outflow of 4,297 million yen (cash outflow of 1,256 million yen in the same period of the previous year).

This was due to a net decrease of 4,102 million yen in short-term borrowings and 200 million yen in the purchase of shares of subsidiaries not resulting in a change in the scope of consolidation.

(3) Explanation of future predictive information such as consolidated results forecasts, etc.

For matters related to the full-year consolidated financial forecasts, please refer to the “Notice of Recording of Extraordinary Losses and Revision of Consolidated Business Results Forecast” dated today.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheet

(Million yen)

	FY2020 (As of December 31, 2020)	Second quarter of FY2021 (As of June 30, 2021)
Assets		
Current assets		
Cash and deposits	12,857	9,991
Notes and accounts receivable - trade	16,579	10,715
Inventories	8,388	5,569
Other	6,865	6,704
Allowance for doubtful accounts	(312)	(425)
Total current assets	44,377	32,554
Non-current assets		
Property, plant and equipment	6,459	5,704
Intangible assets	2,365	1,978
Investments and other assets		
Other	11,030	8,545
Allowance for doubtful accounts	(772)	(1,266)
Total investments and other assets	10,257	7,278
Total non-current assets	19,082	14,961
Deferred assets	62	46
Total assets	63,523	47,562

(Million yen)

	FY2020 (As of December 31, 2020)	Second quarter of FY2021 (As of June 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,618	6,422
Electronically recorded obligations - operating	2,218	1,505
Short-term borrowings	5,837	1,845
Current portion of long-term borrowings	1,271	12
Income taxes payable	489	698
Provisions	505	805
Asset retirement obligations	50	485
Other	8,618	6,650
Total current liabilities	28,610	18,426
Non-current liabilities		
Long-term borrowings	658	120
Provisions	98	100
Retirement benefit liability	1,470	1,264
Asset retirement obligations	1,514	812
Other	3,594	2,248
Total non-current liabilities	7,337	4,547
Total liabilities	35,947	22,973
Net assets		
Shareholders’ equity		
Capital	23,000	23,000
Capital surplus	19,303	19,599
Retained earnings	(13,547)	(16,163)
Treasury shares	(2,419)	(2,419)
Total shareholders’ equity	26,335	24,015
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(5)	(4)
Foreign currency translation adjustment	471	535
Remeasurements of defined benefit plans	11	(3)
Total accumulated other comprehensive income	477	527
Share acquisition rights	16	5
Non-controlling interests	744	41
Total net assets	27,575	24,589
Total liabilities and net assets	63,523	47,562

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income

Quarterly consolidated statement of income

First half

(Million yen)

	First half of FY2020 (From January 1 to June 30, 2020)	First half of FY2021 (From January 1 to June 30, 2021)
Net sales	37,944	30,808
Cost of sales	29,142	24,066
Gross profit	8,802	6,741
Selling, general and administrative expenses	11,616	9,044
Operating loss	(2,813)	(2,303)
Non-operating income		
Interest income	101	95
Foreign exchange gains	–	389
Other	60	73
Total non-operating income	161	558
Non-operating expenses		
Interest expenses	68	53
Foreign exchange losses	41	–
Provision of allowance for doubtful accounts	67	–
Rent expenses on land and buildings	5	34
Other	101	41
Total non-operating expenses	284	130
Ordinary loss	(2,936)	(1,875)
Extraordinary income		
Gain on sale of non-current assets	–	212
Gain on sale of shares of subsidiaries and associates	72	–
Other	17	51
Total extraordinary income	90	263
Extraordinary losses		
Impairment losses	771	–
Loss on structural reforms	8,692	–
Loss on store closings	972	117
Loss on valuation of inventories	–	722
Provision for loss on contracts	–	316
Other	1,048	76
Total extraordinary losses	11,484	1,232
Loss before income taxes	(14,331)	(2,844)
Income taxes - current	80	69
Income taxes - deferred	(369)	(255)
Total income taxes	(289)	(185)
Loss	(14,041)	(2,658)
Loss attributable to non-controlling interests	(53)	(42)
Loss attributable to owners of parent	(13,987)	(2,616)

Quarterly consolidated statement of comprehensive income
First half

(Million yen)

	First half of FY2020 (From January 1 to June 30, 2020)	First half of FY2021 (From January 1 to June 30, 2021)
Loss	(14,041)	(2,658)
Other comprehensive income		
Valuation difference on available-for-sale securities	40	3
Foreign currency translation adjustment	(13)	54
Remeasurements of defined benefit plans, net of tax	5	(17)
Share of other comprehensive income of entities accounted for using equity method	8	9
Total other comprehensive income	41	49
Comprehensive income	(13,999)	(2,608)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(13,946)	(2,566)
Comprehensive income attributable to non-controlling interests	(53)	(41)

(3) Quarterly consolidated statement of cash flows

(Million yen)

	First half of FY2020 (From January 1 to June 30, 2020)	First half of FY2021 (From January 1 to June 30, 2021)
Cash flows from operating activities		
Loss before income taxes	(14,331)	(2,844)
Depreciation	952	677
Impairment losses	771	–
Increase (decrease) in allowance for doubtful accounts	(29)	175
Increase (decrease) in provision for bonuses	(70)	106
Increase (decrease) in retirement benefit liability	(282)	(28)
Increase (decrease) in provision for loss on contracts	–	267
Interest and dividend income	(104)	(95)
Interest expenses	68	53
Foreign exchange losses (gains)	(13)	(195)
Share of loss (profit) of entities accounted for using equity method	(9)	(53)
Loss (gain) on sale and retirement of property, plant and equipment	138	(165)
Loss (gain) on valuation of investment securities	55	–
Subsidy income	–	(19)
Loss on structural reforms	8,692	–
Loss on cancellation of leases	153	–
Extra retirement payments	105	–
Loss on valuation of inventories	–	722
Decrease (increase) in trade receivables	6,697	5,620
Increase (decrease) in inventories	317	664
Increase (decrease) in trade payables	(4,994)	(4,054)
Decrease (increase) in accounts receivable - other	1,013	115
Increase (decrease) in advances received	(532)	(405)
Other, net	619	(104)
Subtotal	(782)	438
Interest and dividends received	101	199
Interest paid	(67)	(62)
Subsidies received	–	19
Loss on cancellation of leases paid	(153)	–
Extra retirement payments	(105)	–
Loss on structural reforms paid	–	(203)
Income taxes refund (paid)	(33)	(37)
Net cash provided by (used in) operating activities	(1,041)	354
Cash flows from investing activities		
Payments into time deposits	(0)	(566)
Proceeds from withdrawal of time deposits	13	780
Purchase of property, plant and equipment	(1,082)	(130)
Proceeds from sale of property, plant and equipment	1,080	191
Purchase of intangible assets	(1,570)	(35)
Purchase of investment property	–	(894)
Proceeds from sale of investment property	–	2,950
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	–	(1,904)
Payments for transfer of business	–	(192)
Short-term loan advances	–	(44)
Proceeds from collection of short-term loans receivable	500	1,000
Long-term loan advances	(58)	–
Proceeds from collection of long-term loans receivable	–	192
Payments of leasehold and guarantee deposits	(287)	(108)
Proceeds from refund of leasehold and guarantee deposits	789	241
Payments for asset retirement obligations	(18)	(390)
Other, net	22	(16)
Net cash provided by (used in) investing activities	(611)	1,072

(Million yen)

	First half of FY2020 (From January 1 to June 30, 2020)	First half of FY2021 (From January 1 to June 30, 2021)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	111	(4,102)
Repayments of long-term borrowings	(1,211)	(6)
Repayments of lease obligations	(133)	(28)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(23)	(200)
Other, net	(0)	40
Net cash provided by (used in) financing activities	(1,256)	(4,297)
Effect of exchange rate change on cash and cash equivalents	5	195
Net increase (decrease) in cash and cash equivalents	(2,903)	(2,675)
Cash and cash equivalents at beginning of period	13,684	12,100
Cash and cash equivalents at end of period	10,781	9,425

(4) Notes to the quarterly consolidated financial statement

(Notes on going concern assumption)
Not applicable

(Note to significant changes in shareholders' equity)
Not applicable

(Application of accounting specific to the preparation of quarterly consolidated financial statements)
Tax expenses for the Company and some of its consolidated subsidiaries are calculated by rationally estimating an effective tax rate for profit before income taxes for the fiscal year including the first half under review after the application of tax effect accounting and multiplying profit/loss before income taxes for the first half under review by the estimated effective tax rate.

(Segment information, etc.)

[Segment information]

I. First half of FY2020 (from January 1 to June 30, 2020)

1. Information concerning monetary amount of sales and profit or loss of each reporting segment

(Million yen)

	Reporting segment				Total	Amount of adjustment Note: 1	Amount reported in quarterly consolidated statement of income Note: 2
	Domestic Retail Business	Overseas Business	Life & Fashion Business	Asset Business			
Sales							
Sales to external clients	3,951	8,287	20,459	5,246	37,944	–	37,944
Internal sales or transfers between segments	16	0	111	24	152	(152)	–
Total	3,967	8,288	20,570	5,270	38,097	(152)	37,944
Segment profit (loss)	(1,208)	128	(924)	(219)	(2,223)	(590)	(2,813)

(Notes) 1. Segment loss adjustment of 590 million yen includes elimination of inter-segment transactions of 85 million yen and whole company expenses not divided into each reporting segment of 676 million yen. Whole company expenses mainly consist of personnel expenses and general management expenses not belonging to reporting segments.
2. Segment profit (loss) is adjusted to operating loss in the quarterly consolidated statement of income.

2. Information concerning impairment loss or goodwill, etc. of non-current assets in each reporting segment
(Important impairment loss relating to non-current assets)
With respect to non-current assets the investment amounts of which are not expected to be fully recovered, their book values have been reduced to recoverable amounts, and the reductions have been posted as impairment losses in each segment of Domestic Retail Business, Overseas Business, Life & Fashion Business and Asset Business.
In the first half of the previous fiscal year, the posted amounts of such impairment losses came to 1,731 million yen for Domestic Retail Business, 94 million yen for Overseas Business, 268 million yen for Life & Fashion Business, 414 million yen for Asset Business, and 79 million yen for the whole company, respectively. Impairment losses posted by Domestic Retail Business and Life & Fashion Business do not include 1,817 million yen, which is posted as loss on structural reforms in the quarterly consolidated statement of income.

II. First half of FY2021 (from January 1 to June 30, 2021)

1. Information concerning monetary amount of sales and profit or loss of each reporting segment

(Million yen)

	Reporting segment				Total	Amount of adjustment Note: 1	Amount reported in quarterly consolidated statement of income Note: 2
	Domestic Retail Business	Overseas Business	Life & Fashion Business	Asset Business			
Sales							
Sales to external clients	1,997	9,648	17,307	1,854	30,808	–	30,808
Internal sales or transfers between segments	18	5	62	2	88	(88)	–
Total	2,015	9,653	17,370	1,857	30,896	(88)	30,808
Segment profit (loss)	(513)	48	(454)	(680)	(1,599)	(703)	(2,303)

(Notes) 1. Segment loss adjustment of 703 million yen includes elimination of inter-segment transactions of 46 million yen and whole company expenses not divided into each reporting segment of 749 million yen. Whole company expenses mainly consist of personnel expenses and general management expenses not belonging to reporting segments.

2. Segment profit (loss) is adjusted to operating loss in the quarterly consolidated statement of income.

2. Information about assets in each reporting segment

In the second quarter of the fiscal year under review, the Company sold its shares in MODE ET JACOMO Co., Ltd., Kowa Sogyo Co., Ltd. and OGITSU Co., Ltd., which are consolidated subsidiaries, and excluded these companies and four other subsidiaries from the scope of consolidation.

As a result, at the end of the first half of the fiscal year under review, the amount of assets for the reporting segment decreased 4,944 million yen in Life & Fashion Business from the level at the end of the previous fiscal year.

3. Matters concerning changes in reporting segments, etc.

Starting from the first quarter of the fiscal year under review, in response to changes in the business environment caused mainly by the COVID-19 pandemic, the Group sought to bolster the profitability of its core retail businesses and strengthen its business foundations through the pursuit of specialization. In doing so, it worked to adopt more appropriate disclosure of management information while also revising the Group-wide classification for financial performance management. As a result, it has decided to redefine its reporting segments as Domestic Retail Business, Oversea Business, Life & Fashion Business and Asset Business.

Segment information for the first half of the previous consolidated fiscal year presented herein has been prepared according to the revised classification.

(Subsequent events)

(Closure of stores in some areas of Domestic Retail Business)

At a meeting of the Board of Directors held on August 13, 2021, the Company adopted a resolution on the closure of stores in some areas of Domestic Retail Business.

1. Reasons for the store closures

With COVID-19 resurgent globally, tourists visiting Japan from China, the major customers for Domestic Retail Business, continue to be unable to enter the country, and the number of tourists visiting Japan from countries other than China is not expected to recover in the near future. In these circumstances, the Group sought to mitigate the impact of the temporary closure of its stores in Domestic Retail Business on earnings. However, the Group has decided to close seven of its 13 stores (including three stores that are currently closed), some of which are located in Tokyo and Kansai, to further reduce costs and improve cash flow.

2. Stores to be closed

Three stores in Tokyo and four stores in Kansai (seven stores in total)

3. Outlook for extraordinary losses due to store closures

The balance of the book value of non-current assets related to the relevant stores as of the end of the first half of the fiscal year under review is minimal, but the impact of the closures on financial results is yet to be determined because conditions for withdrawal have not been finalized at this time.

3. Other

Significant events, etc. concerning the going concern assumption

Laox Group posted an operating loss in three consecutive fiscal years, resulting in a situation that may cause significant doubt about the going concern assumption. However, the Group holds cash and deposits of 9,991 million yen as of the end of the first half of the fiscal year under review, thereby securing necessary working capital. In addition, the Group is taking the following measures to resolve this significant event.

- The Domestic Retail Business is soliciting voluntary retirement and promptly putting store employees on leave and reducing costs by closing unprofitable stores and reducing various fixed expenses amid the continuing pandemic induced restrictions on people entering Japan, which has significantly decreased the number of overseas travelers to Japan which are major customers of the business. The segment will develop stores with new concepts offering product lines that focus on food, increase the merchandise provided to meet customer demand in the areas of existing stores, renew sales floors, and take other measures to expand the target customers with the goal of increasing sales.
- The rapidly growing Overseas Business will improve its product supply system and supply chains to meet demand for products made in Japan in the Chinese market to reach customers who have visited Japan in the past and facilitate their repeat purchasing on the Company's shopping website. In addition to the large e-commerce platforms, T-mall Global, Suning.com, and Kaola.com, in China, the segment will operate a Laox flagship store on Lazada, the largest e-commerce platform in Southeast Asia, to increase its revenue base in China and Southeast Asia. The Overseas Business will also improve its efforts to acquire new customers through live commerce and other means.
- Amid the decline in the gift sales business in the Life & Fashion Business segment due to the postponement and cancellation of ceremonies such as weddings and nationwide vendors which constituting major sales channels suspending operations due to the pandemic, the segment is implementing structural reforms including a reform of distribution, the liquidation of unprofitable businesses and thorough cost reduction including the reduction of SG&A expenses. Beyond just demand for mid year and year end gifts, the segment will increase the development of original merchandise focusing on confections to increase its market share and meet demand for private and casual gifts.
- The real estate business in the Asset Business segment will continue to work to increase profitability by streamlining the existing facilities it operates and selling idle properties. Further, the segment will increase the real estate agency and trading transactions that started in the latter half of the fiscal year 2019 to steadily accumulate profit from brokerage and trading.
- With the goal of increasing synergy across the Group, it will adjust the number of employees for more efficient organizational management, reduce personnel expenses and SG&A expenses according to the revised number of employees, and improve total costs to build a system that ensures profitability. The Group will also establish a reform project team across the Group's functions to resolve its business issues.

Based on the above, the Group believes that there is no material uncertainty regarding the going concern assumption.